

INDIVIDUALS WITH DISABILITIES EDUCATION ACT (Part B) CALCULATION OF MAINTENANCE OF EFFORT

This packet summarizes the requirements for Maintenance of Effort (MOE), how MOE is calculated using expenditure data submitted to OPI, and how to check the district or cooperative's report to ensure MOE will be accurately calculated.

WHAT IS MAINTENANCE OF EFFORT?

The Individuals with Disabilities Education Act (IDEA), under Part B, makes funds available to assist local education agencies (LEAs) and special education cooperatives in the provision of education for children with disabilities. In order to receive entitlement funds under Part B for any fiscal year, an LEA, special education cooperative or consortium must submit an application to the Division of Special Education, Office of Public Instruction. As part of the Part B application approval process, applicants must comply with the following regulations:

300.203 Maintenance of effort.

(a) General. Except as provided in 300.204 and 300.205, funds provided to an LEA under Part B of the Act **must** not be used to reduce the level of expenditures for the education of children with disabilities made by the LEA from local funds below the level of those expenditures for the preceding fiscal year.

(b) Standard.

(1) Except as provided in paragraph (b)(2) of this section, the SEA **must** determine that an LEA complies with paragraph (a) of this section for purposes of establishing the LEA's eligibility for an award for a fiscal year if the LEA budgets, for the education of children with disabilities, at least the same total or per capita amount from either of the following sources as the LEA spent for that purpose from the same source for the most recent prior year for which information is available:

(i) Local funds only.

(ii) The combination of State and local funds.

(2) An LEA that relies on paragraph (b)(1)(i) of this section for any fiscal year must ensure that the amount of local funds it budgets for the education of children with disabilities in that year is at least the same, either in total or per capita, as the amount it spent for that purpose in the most recent fiscal year for which information is available and the standard in paragraph (b)(1)(i) of this section was used to establish its compliance with this section.

(3) The SEA may not consider any expenditures made from funds provided by the Federal Government for which the SEA is required to account to the Federal Government or for which the LEA is required to account to the Federal Government directly or through the SEA in determining an LEA's compliance with the requirement in paragraph (a) of this section.

300.204 Exception to maintenance of effort.

Notwithstanding the restriction in 300.203(a), an LEA may reduce the level of expenditures by the LEA under Part B of the Act below the level of those expenditures for the preceding fiscal year if the reduction is attributable to any of the following:

(a) The voluntary departure, by retirement or otherwise, or departure for just cause, of special education or related services personnel.

- (b) A decrease in the enrollment of children with disabilities.
- (c) The termination of the obligation of the agency, consistent with this part, to provide a program of special education to a particular child with a disability that is an exceptionally costly program, as determined by the SEA, because the child--
 - (1) Has left the jurisdiction of the agency;
 - (2) Has reached the age at which the obligation of the agency to provide FAPE to the child has terminated; or
 - (3) No longer needs the program of special education.
- (d) The termination of costly expenditures for long-term purchases, such as the acquisition of equipment or the construction of school facilities.
- (e) The assumption of cost by the high cost fund operated by the SEA under 300.704(c).**

300.205 Adjustment to local fiscal efforts in certain fiscal years.

- (a) Amounts in excess. Notwithstanding 300.202(a)(2) and (b) and 300.203(a), and except as provided in paragraph (d) of this section and 300.230(e)(2), for any fiscal year for which the allocation received by an LEA under 300.705 exceeds the amount the LEA received for the previous fiscal year, the LEA may reduce the level of expenditures otherwise required by 300.203(a) by not more than 50 percent of the amount of that excess.
- (b) Use of amounts to carry out activities under ESEA. If an LEA exercises the authority under paragraph (a) of this section, the LEA must use an amount of local funds equal to the reduction in expenditures under paragraph (a) of this section to carry out activities that could be supported with funds under the ESEA regardless of whether the LEA is using funds under the ESEA for those activities.
- (c) State prohibition. Notwithstanding paragraph (a) of this section, if an SEA determines that an LEA is unable to establish and maintain programs of FAPE that meet the requirements of section 613(a) of the Act and this part **or the SEA has taken action against the LEA under section 616 of the Act and subpart F of these regulations**, the SEA must prohibit the LEA from reducing the level of expenditures under paragraph (a) of this section for that fiscal year.
- (d) Special rule. The amount of funds expended by an LEA for early intervening services under 300.226 shall count toward the maximum amount of expenditures that the LEA may reduce under paragraph (a) of this section.**

HOW IS MAINTENANCE OF EFFORT DETERMINED FOR IDEA PART B?

The U.S. Department of Education determines compliance with the maintenance of effort regulation by comparing actual expenditures one year to actual expenditures the next year. To demonstrate that the Federal funds were not used to reduce the level of expenditure of state and local funds, or local funds, the recipient must show that it has maintained the same amount of expenditures (maintained effort) of state and local funds, or local funds, for special education as it did in the year previous. The only exceptions allowed are those as stated in federal regulations 34 CFR 300.204 and 34 CFR 300.2205.

How will Maintenance of Effort be determined?

1. For each entity participating in the IDEA Part B application, expenditures made for special education will be compared using State and Local funds, for the last two years, minus any approved exceptions and other allowable decreases. Expenditures are compared on a dollar for dollar basis as well as per capita,

using child count figures reported for the same years. MOE is based on the sum total of expenditures reported by all entities participating in the application.

2. For each entity participating in the IDEA Part B application, expenditures made for special education will be compared using local funds for the last two years, minus any approved exceptions and other allowable decreases. Expenditures are compared on a dollar for dollar basis as well as per capita, using child count figures reported for the same years. MOE is based on the sum total of expenditures reported by all entities participating in the application.

How are State and Local Fund expenditures determined?

State and Local Fund expenditures are those expenditures reported on the Trustees' Financial Summary determined as "allowable expenditures" based on revenue and expenditure codes for the purpose of Maintenance of Effort. This does not include expenditures reported in Fund 15 – Miscellaneous Fund, if they have a revenue source code identifying them as federal funds.

How are Local Fund expenditures determined?

Local Fund expenditures are those expenditures reported on the Trustees' Financial Summary determined as "allowable expenditures" based on revenue and expenditure codes for the purpose of Maintenance of Effort. Local funds will equal the allowable expenditures minus state funds (Instructional Block grant, Related Services Block grant, and Reimbursement for Disproportionate Costs and minus Reversion), including cooperative travel and administrative entitlements.

WHAT HAPPENS IF THE APPLICANT DOES NOT MAINTAIN EFFORT?

When the final maintenance of effort report is completed in March, OPI determines whether the district/cooperative applicant for Part B funds has met the maintenance of effort requirement. If it is determined that the applicant has not maintained effort, OPI shall provide reasonable notice to the applicant of:

- a. The intent to reduce or deny further payments and the reason for the denial; and
- b. The applicant's right to request a hearing before OPI prior to taking any final action.

TIMELINES:

The following are the timelines and components used for OPI's calculation of Maintenance of Effort:

Data Source: Annual Trustees' Financial Summary
Completed by: District Clerk
Board of Trustees
County Superintendent
Due at OPI: 2nd Monday in September, usually received with Final Budget by September 15.

When received, the Trustees' Financial Summary (TFS) data is checked for accurate coding of revenues and expenditures. Once the information is considered accurate, files are used to determine final MOE.

June/July The annual Trustees' Financial Summary Instruction packet is mailed to districts. The packet includes information explaining the process of Maintenance of Effort and guidelines to assist in district reporting of special education revenue and expenditures.

Nov/Dec A **preliminary** MOE report is sent to Part B authorized representatives, cooperative and district clerks by December 1 annually. This report compares total state and local expenditures and expenditures per capita for 2 years.

School districts and special education cooperatives must review expenditures and Maintenance of Effort figures to ensure accurate reporting. If the district and/or cooperative determine that a change is needed, an amended TFS must be submitted to OPI by December 20. If an applicant has not maintained fiscal effort and the applicant feels that they have an “allowable exception” under 34 CFR 300. 204, the applicant must file an *Individuals With Disabilities Education Act (Part B) Exception(s) Documentation* report to OPI for review and approval.

Dec 20 **DEADLINE** for districts and special education cooperatives to submit amended TFS to OPI. **Amendments received after this date will not be considered in the MOE calculation.**

April OPI sends a **final** MOE report of 2 years' total expenditures and expenditures per capita to Part B authorized representatives, cooperative and district clerks with the Part B/Preschool application packets. It is an informational report only and should be used when completing the application.

HOW CAN AN APPLICANT HELP ENSURE THAT IT IS MAINTAINING EFFORT?

It is critical that individual districts, special education cooperatives, and districts

participating in a special education cooperative or consortium monitor their state and local expenditures for special education each year to ensure maintenance of effort. When the applicant for Part B/preschool funds is a cooperative or consortium, it is the cooperative's or consortium's responsibility to share MOE information with its participating districts. OPI does not send MOE reports to individual districts participating in special education cooperatives or consortiums.

Verification of MOE at the local level will help districts and cooperatives determine if corrections to data are required. OPI guidance for checking special education expenditures reported is enclosed.

WHAT IS INCLUDED IN MAINTENANCE OF EFFORT CALCULATIONS FOR IDEA?

For IDEA Part B Entitlement funds, MOE is based on total current special education expenditures in the funds listed below as reported on the annual Trustees Financial Summary (TFS) report. The MOE calculation isolates special education expenditures made from state and local revenue sources.

FUND	COOP	DISTRICT	FUND	COOP	DISTRICT
01 General Fund		X	24 Metal Mines Tax Reserve Fund		X
10 Transportation Fund	X	X	25 State Mining Impact Fund		X
13 Tuition Fund		X	82 Interlocal Agreement Fund	X	X
14 Retirement Fund	X	X			
15 Misc Programs Fund	X	X			

[SEE CHART OF ACCOUNTS 3-0200.20 FUND DEFINITIONS]

In calculating MOE, OPI applies the following restrictions:

EXPENDITURE PROGRAM 280

Only program 280 expenditures are used to determine the state and local contributions for calculating MOE. For accurate calculation of MOE, districts/cooperatives must CLEARLY separate local and state grants in the Miscellaneous Programs Fund (15) from Federal grants using proper revenue and expenditure program codes. Use expenditure program 280 to code special education expenditures for local, state, and direct (non-OPI) Federal revenue sources. Use expenditure program code 456 for the IDEA Part B grants and 457 for IDEA Preschool grants subgranted by OPI.

Effective FY'06, expenditures for capitol outlay will be included in the calculation for MOE. Expenditures coded to Function 4XXX or Object 7XXX (any function) will be included.

Expenditure Objects **EXCLUDED**:

The following expenditure objects are not included in MOE even when spent for special education:

- 910** Operating transfers to other funds
- 920** Resource transfers to other districts (local moneys)
- 930** Federal or State grant resource transfers to other districts/cooperatives
- 971** Residual Equity Transfers Out

Expenditure Functions **EXCLUDED**:

The following expenditure functions are not included in MOE even when spent for special education:

5XXX Debt Service

Expenditures **INCLUDED** in Fund 15:

All expenditures reported in Fund 15 will be **EXCLUDED** except for the expenditures of the following revenues if spent for special education (program 280):

Revenue Source: 3450--Accelerated Local Government Severance Tax (if deposited in Fund 15)

Revenue Source: 5710--Special Education Resource Transfers

[SEE CHART OF ACCOUNTS 3-0600.20 OPERATING STATEMENT ACCOUNTS/3-600.40 EXPENDITURE OBJECT CODE DEFINITIONS]

EXAMPLES:

1. District A reports the following expenditures in special education:

01-280-1XXX-1XX 14-280-1XXX-2XX 01-280-1XXX-2XX 01-280-6200-920

All line items would be considered for Maintenance of Effort, except 01-280-6200-920. It is a special education resource transfer as recorded by the sending district.

2. District B reports the following expenditures in special education:

01-280-1XXX-1XX 14-280-6200-920 10-280-26XX-4XX
15-456-1XXX-1XX-001 (Revenue Source 5700-001)

The two line items above that would **not** be considered in the calculation of Maintenance of Effort would be 14-280-6200-920, because it is a resource transfer to a cooperative, and 15-456-1XXX-1XX-001, because it is an expenditure of revenue source 5700 Federal IDEA Part B funds.

GUIDELINES FOR REVIEWING REVENUE AND EXPENDITURES ON TRUSTEES' FINANCIAL SUMMARY

This list is provided to districts, consortiums and cooperatives to assist them in Reviewing special education expenditures reported on the Trustees' Financial Summary (TFS) for accuracy. Accurate coding is extremely important. A district, consortium or cooperative must be able to demonstrate maintenance of effort (MOE) to remain eligible to receive all of its federal IDEA funding.

WORKERS' COMP/PAYROLL TAX AND RETIREMENT BENEFITS

A district or cooperative may report Workers' Compensation/Payroll Tax Benefits or Retirement Benefits with one of two options, undistributed or distributed. (Please refer to the School Accounting Manual 4-0400-12 and 4-0400-13.)

Workers' Comp/Payroll Tax Benefits reported as "undistributed:" (i.e., combined total of Workers' Comp expenditures for all functions reported as 01-999-9999-2XX)

-- OPI will "distribute" this amount across programs and functions according to the proportion of salaries reported in the fund. Workers' comp for salaries reported in Fund 15, Program 280, will be included in MOE.

Workers' Comp/Payroll Tax Benefits reported as "distributed:" (i.e., reported under each program and function like the related salaries)

-- OPI will use expenditures as reported in calculating MOE.

Fund 14 Retirement Benefits reported as "undistributed:" (i.e., combined total of retirement benefit expenditures for all functions (except resource transfers) was reported as 14-999-9999-2XX)

-- OPI will "distribute" this amount across programs and functions based on the proportion of salaries reported in all funds. Retirement costs related to salaries reported in any fund using Program code 280 will be included in MOE.

Fund 14 Retirement Benefits reported as "distributed": (i.e., reported under each program and function like the related salaries)

-- OPI will use expenditures as reported in calculating MOE.

Fund 14 Retirement funds transferred from a district to a cooperative for special education employees:

- The district should record the expenditure as a resource transfer (X14-280-6200-920). The cooperative should record the receipt as a resource transfer (314-5710.) This amount will **not** be included in the OPI "distributions" discussed above.

RESOURCE TRANSFERS BETWEEN DISTRICTS AND COOPERATIVES

Resource transfers from district to district, district to cooperative, or cooperative to district are NOT COUNTED FOR MOE. If counted at the point of the transfer and again when spent by the receiving agency, the money would be double-counted. The following examples show how a district or cooperative should report transfers.

NOTE: When a cooperative sends money to a member district, it MUST BE EITHER:

- 1) A refund of the related services block grant match, with the cooperative's written approval for the district to spend the match on other special ed related services using its general fund in lieu of providing the match; OR
- 2) A payment for contracted services to be provided by the district on behalf of the cooperative. Based on a written contract, the money must be deposited into the district's Miscellaneous Programs Fund (15) and be spent for that purpose or returned to the cooperative by June 30; OR
- 3) A subgrant of a Federal or state grant award obtained by the cooperative on the members' behalf. Examples would be the IDEA Part B or Preschool entitlement funds.

No other payments from cooperatives to districts should be made.

District, as a participating member of a special education cooperative, transfers funds to the cooperative for: 1) the district's related services block grant match (RSBG), 2) the district's share of the cooperative budget, or 3) additional contribution to the cooperative:

- District must use X01-280-6200-920 to identify this type of transfer.
- Cooperative uses 382-5710 to code receipt of the payment.

District, as a participating member of a special education cooperative, signs a written agreement with the cooperative saying the district will spend its own related services money in lieu of match: (i.e., district keeps and spends its related services block grant (RSBG) match, rather than sending it to the cooperative)

- District must record its local expenditures in lieu of match as special education expenditures in the normal manner using the general fund (e.g., X01-280-XXXX-XXX). The expenditures will be included in MOE. They

also are included in the special ed spending to avoid reversion. The district would not transfer the match to the cooperative, so the TFS would not indicate a transfer. (NOTE: If not spent by the district after entering such an agreement, MOE and special ed reversion may be affected.)

The cooperative then returns money under a contract to be spent by the district locally for SPECIFIC SPECIAL ED SERVICES:

- Cooperative must report the transfer using 382-280-6200-920.
- District must deposit the money to Fund 15 using X15-5710 and assign a project reporter number. The district must report expenditures of the money using the same project reporter number assigned to the revenue source.
- Any funds remaining unspent at June 30th must be returned to the cooperative. The district must report the amount returned as a revenue abatement (i.e., negative revenue) under X15-5710. The cooperative must receive the refund as an expenditure abatement (i.e., negative expenditure) under 382-280-6200-920.

District made a resource transfer to the cooperative to pay the RSBG match. The cooperative then returns money to the district, directing the district to spend it locally for NON-SPECIFIC SPECIAL ED SERVICES in lieu of providing the required RSBG match:

- District transfers its match to the cooperative using X01-280-6200-920. The cooperative records the revenue using 382-5710.
- The cooperative reports the payment back to the district by abating (decreasing) revenue source 382-5710 while the district abates (decreases) expenditure X01-280-6200-920. Thus the records show the match transfer from district to cooperative was never made in the first place.

NOTE: Money returned to a member district without a contract for providing specific services is considered first to reimburse the district's match paid from the general fund; any payment in excess of the amount of required match must be deposited to the district's Miscellaneous Programs Fund (15) and used or returned by June 30 as discussed in the previous example.

District pays for contracted special education services received from another district or cooperative, and the services are not covered under the

cooperative agreement or as a participating member of a consolidated IDEA Part B application (e.g., contracted services):

- Paying district uses X01-280-21XX-354 to code a one time payment for additional services. The cooperative codes the receipt using 382-1950
- A district who provides a service to another district uses X15-1950 or X82-1950 to code a one time receipt for additional special education services.

District, as a member of a special education cooperative or member of a consolidated application with another district, receives its Federal IDEA special education grant from the cooperative or host district:

- Cooperative records the transfer of Federal IDEA grant money using 315-XXX-6200-930-###, where ### is a project reporter number assigned to the grant. A district who is a grant host and transfers the grant to another district must use X15-XXX-6200-930-###. Use expenditure program code 277 for the IDEA Part B grant and 279 for IDEA Preschool.
- District must deposit Federal IDEA special education grants "passed through" from another district or cooperative in the Miscellaneous Programs Fund (15), using revenue code X15-5700-###, where ### is a project reporter code. Transfers and subsequent expenditures of the grant money must be identified with same project reporter number. Expenditures must be coded using the expenditure program number, such as X15-**277**-1XXX-XXX-### for IDEA Part B.

For further information regarding resource transfers, please refer to the School Accounting Manual 3-0500, 4-0400-10 and 4-0400-11.

MISCELLANEOUS PROGRAMS FUND (15), PROGRAM 280 EXPENDITURES:

Fund 15 is a Miscellaneous Programs Fund with a variety of revenue sources. Incorrectly using 280 for Federal grant expenditures could significantly impact your MOE. Use program 280 for state and local special education expenditures, program 277 for Federal IDEA grant expenditures, program 279 for Federal IDEA Preschool grant expenditures. Refer to the School Accounting Manual section 3-0600 for further information.

If you have questions, please call Rebecca Phillips at 444-0783.

**INDIVIDUALS WITH DISABILITIES EDUCATION ACT (Part B)
CALCULATION OF MAINTENANCE OF EFFORT
QUESTIONS AND ANSWERS**

- 1. If I amend my Trustees' Financial Summary, will it affect the amount of state special education funds the district will receive?**

Response: It may, if the amendment is to correct an expenditure reported as a special education allowable cost. Any change to a special education allowable cost expenditure will affect a district's minimum amount to avoid reversion in the current year, as well as reimbursement for disproportionate costs in the ensuing fiscal year.

Please refer to the district's special education reversion worksheet submitted with the trustees' financial summary to determine if the amendment will affect the district's minimum amount to avoid reversion.

Special education allowable costs are defined in 20-7-431, MCA and 10.16.2206, ARM.

- 2. After December 20, how will an applicant correct an error in the Trustees' Financial Summary in order to demonstrate Maintenance of Effort?**

Response: The applicant should submit a written request to the Division of Special Education for a hearing. If as a result of the hearing, it is determined that errors were made in the Trustees' Financial Summary and corrections would result in the district demonstrating fiscal effort for Part B, an amended Trustees' report would be allowed.

- 3. How will an applicant know if their IDEA Part B funds will be reduced if it has not maintained effort?**

Response: Applicants for IDEA Part B funds should carefully review the preliminary maintenance of effort report sent to them in December by OPI. The report will indicate whether the applicant has maintained effort either through a review of the expenditures or on a per capita basis.

Prior to reducing funds, OPI sends the applicant notice of the intent to reduce or withhold funds, identifies the reason for the intended action and the applicant's right to request a hearing.

- 4. Is there any allowance allowed for decrease in maintenance of effort?**

Response: Yes, IDEA '2004 provides for a reduction in the level of expenditures attributable to the following:

- a. The voluntary departure, by retirement or otherwise, or departure for just cause, of special education personnel;
- b. A decrease in the enrollment of children with disabilities;

- c. The termination of the obligation of an LEA, consistent with this part, to provide a program of special education to a particular child with a disability that is an exceptionally costly program, as determined by the State educational agency, because the child -
 - i. has left the jurisdiction of the LEA ;
 - ii. has reached the age at which the obligation of the LEA to provide a free appropriate public education to the child has terminated;
 - iii. no longer needs such program of special education; or
- d. the termination of costly expenditures for long-term purchases, such as the acquisition of equipment or the construction of school facilities.

5. Isn't the maintenance of effort requirement for Part B the same as for Title I?

Response: No.

6. Does a membership change in a cooperative or consortium affect maintenance of effort?

Response: It may. If a membership change will occur in a cooperative or consortium, we encourage you to call OPI to determine what affect that may have on maintenance of effort. Circumstances vary, and we will try to address the situation when it happens.

7. Are expenditures for Special Olympics included in the calculation for maintenance of effort?

Yes, effective with school year 2005-2006, any expenditures of state and local funds for support of Special Olympics will be included in the calculation of maintenance of effort.

8. Who do I call when I have questions?

Reporting an error on the Trustees' Financial Summary or questions on submitting an amended Trustees' Financial Summary, please call:

Rebecca Phillips at 444-0783

For questions regarding the affect an amended Trustees' Financial Summary will have on reversion or disproportionate reimbursement call:

Bonnie Maze at 444-3249

For questions regarding how a membership change can affect maintenance of effort, the MOE regulation or hearing procedures for amending a Trustees' Financial Summary after December 20th, please call:

Marilyn Pearson at 444-4428